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TD Targets 7% Earnings Growth From Canadian Retail, CEO Says

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- Medium-term goal covers banking, insurance and wealth business
- Bank has `numerous levers' to reach earnings target, CEO says

Toronto-Dominion Bank, Canada's largest lender by assets, set a new target to lift earnings from its Canadian retail businesses by more than 7 percent in the medium term, Chief Executive Officer Bharat Masrani said.

"We will continue to grow and outperform the competition," Masrani, 59, said Thursday in Toronto during the bank's investor day event. "We've got numerous levers that will help us deliver medium-term earnings growth greater than 7 percent in Canadian retail."

Toronto-Dominion is setting its three- to five-year target as Canadian lenders face dwindling growth in domestic banking compared with several years ago, as indebted consumers pare borrowing and the country's economy struggles amid an oil-price slump. The pace of growth in mortgages is less than half what it was in 2008, according to Bank of Canada monthly data.

Toronto-Dominion isn't looking to alter its strategy for Canadian retail operations, which include personal and commercial banking, insurance and wealth management, Tim Hockey, who heads the group, said in a phone interview after the event. The strategy, which is adapting to a changing economic, regulatory and technological environment, calls for more collaboration across businesses and selling current customers more services, he said.

'Enduring Strategy'

"We're frankly not trying to be new and different," Hockey said. "We're trying to be excellent at delivering on what I call an enduring strategy."

Toronto-Dominion increased adjusted profit in its Canadian retail division by 7.5 percent to C$4.44 billion ($3.43 billion) in the first three quarters of fiscal 2015 compared with the same period a year earlier, according to financial statements. Canadian retail accounted for 68 percent of the Toronto-based lender's profit last year.

Credit cards is one key to its strategy. The lender expects to increase annual revenue C$500 million by 2018 from adding 1 million new cards per year, increasing balances by 15 percent and doubling business cards by adding 150,000 accounts.

Toronto-Dominion, which acquired almost C$20 billion of credit-card assets since 2011 including an Aerogold Visa portfolio from Canadian Imperial Bank of Commerce, is Canada's top credit-card issuer by outstanding balances, according to a 2014 ranking by industry newsletter Nilson Report.

Smaller Branches

The lender said it plans to move toward smaller branches, which reduce costs and require fewer staff. Toronto-Dominion will use the savings to invest in technology to drive more sales outside branches. The bank expects to increase non-branch sales to 30 percent between 2018 and 2020 from 17 percent this year.

Toronto-Dominion is targeting "high single digit" earnings growth in business banking in three to five years, with a focus on areas including agricultural banking and equipment finance, Hockey said. Insurance premiums will have a similar growth rate, reaching C$6 billion of premiums by 2020 from an estimated C$4 billion this year, the bank said.

Earnings from wealth management will increase between 10 percent and 20 percent, Hockey said. The bank plans to hire 500 advisers by 2018 to push for a greater share of the mass affluent and high-net-worth markets. One wealth business Toronto-Dominion is watching is so-called robo-investing, in which firms use algorithms to design portfolios based on questions clients answer online.

"It's a frothy space, it's very interesting for all of us," Hockey said. "We're looking at it, we're constantly paranoid about what our competitors are doing, and we'll adapt."

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